

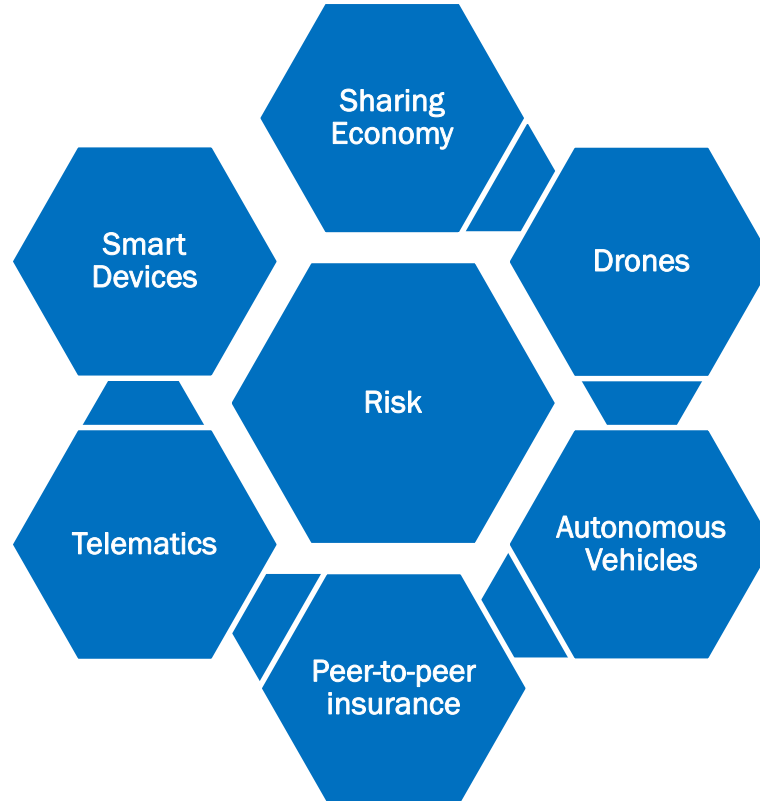
BUILDING MOMENTUM FOR DIGITAL DISRUPTION IN INSURANCE

REGULATOR-LED INNOVATION ACTIVITIES

Ekrem M. Sarper
Lead Manager, Bilateral Affairs and
Vice Chair, IAIS Implementation and Assessment Committee

October 24, 2018

TECHNOLOGICAL ADVANCEMENTS



INNOVATION AND TECHNOLOGY

Rapidly reshaping the insurance marketplace – disrupting status quo.

Balance:

- Critical consumer protections
- Demand for innovation
- Stable, competitive, fair playing field

INNOVATION AND TECHNOLOGY – REGULATOR RESPONSE

Seek a way to “yes” while protecting consumers

Reaching out to startups to:

- Better understand innovations and products being developed
- Ensure insurers understand regulatory landscape
- Verify insurers are following applicable laws and regulations

NAIC INNOVATION AND TECHNOLOGY (EX) TASK FORCE

Provides a forum for the discussion of innovation and technology developments in the insurance sector

- Collection and use of data by insurers and state insurance regulators
- New products, services, and distribution platforms

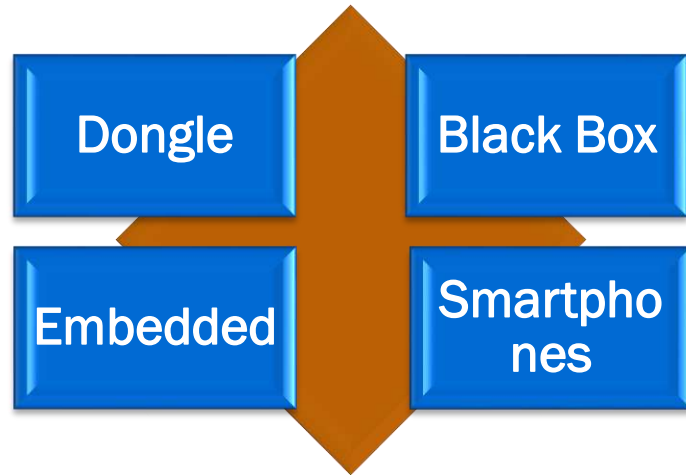
Educate state insurance regulators on how these developments impact consumer protection, privacy, insurer, and producer oversight

TELEMATICS

PAY HOW YOU DRIVE

“Traditional rating factors tend to be proxies for risk. The idea of telematics is to actually measure risk on an individual level.”(NAIC Study)

4 Types of Telematics Solutions



TELEMATICS INSURANCE IMPLICATIONS

Pricing individual risk

Benefits

- To Insureds
- To Insurers
- To Society

Regulatory Challenges

Privacy

Transparency

Who owns the data, the company or the person?



The Cobra Telematics solution in the vehicle (1), obtains vehicle trip data and also GPS position (2), which are transmitted via GSM/GPRS/3G (3), to the server at the Cobra Service Centre (4), from where they are made available to the customer via phone or internet (5).

SMART DEVICES

Wearable Devices

- GPS
- Health tracking
- Payment options

Smart Homes & Buildings

- Smoke and carbon detectors
- Security systems with smartphone alerts
- Energy management
- Water detection

BIG DATA – INDUSTRY PRACTICES

Data Sources

- Structured and Unstructured Data
- Insurance Data and Non Insurance Data
- Public Data and Commercial Data Vendors

Insurer Utilization of Data

- Marketing
- Rating
- Risk Management
- Fraud Detection

BIG DATA – CONSUMER BENEFITS AND CONCERNS

Consumer Benefits

- More accurate assessment of risk of loss
- Faster quotes to consumers
- Better risk management and loss prevention
- Quicker claims processing and better fraud detection

Consumer Concerns

- Continued segmentation of the market
- Accuracy and completeness of data
- Disclosure to consumers
- Data ownership/consumer consent
- Data as proxy
- Privacy and cybersecurity

BIG DATA – REGULATOR RESPONSE

Encourage innovation

Maintain necessary consumer protections

Changing regulatory expertise

Independent verification of insurer's models

Enhanced use of data and analytical tools

BIG DATA (EX) WORKING GROUP

Review current regulatory frameworks used to oversee insurers' use of consumer and non-insurance data.

Propose a mechanism to provide resources and allow states to share resources to facilitate states' ability to conduct technical analysis of and data collection related to states' review of complex models used by insurers for underwriting, rating, and claims.

Assess data needs and required tools for regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims, and marketing practices.

WHAT IS *STATE AHEAD*?

- A three-year strategic plan to identify needs and transform NAIC operations and tools to best support our members.
- Members were the architects that built the blueprint.
- Now it's time to start building.



STATE AHEAD

NAIC National Association of
Insurance Commissioners

2018

Planning & Building

In 2018, the NAIC continues to build on our foundation started in 2017. The organization will assess needs, evaluate technology and set timelines for the goals in *State Ahead*.

2019

Building Full Speed Ahead

The NAIC, will focus on building an infrastructure for data, technology and talent to implement State Ahead including regulator training and consumer education.

2020

Transforming

By the end of 2020, the NAIC will provide its members with new analytics, technology and tools to more effectively regulate their markets and educate consumers.



STATE AHEAD

NAIC National Association of
Insurance Commissioners

THEMES & GOALS

I. Safe, Solvent, and Stable Markets

1. Data, training, and tools supporting affordable, reliable insurance products.

II. Consumer Protection and Education

2. Ensure market conduct operations and consumer education.

III. Superior Member Services and Resources

3. Support state insurance departments with necessary talent and resources.
4. Focus on member priorities and maximize **Member engagement**.



STATE AHEAD



JOB CRISIS

STRONG INNOVATION ASSETS

SOCIAL CAPABILITIES

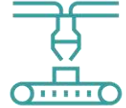
STATE OF CT KEY INITIATIVES



INSURTECH



MEDTECH



**AEROSPACE
MANUFACTURING**



**SOCIAL
CAPABILITIES**



**PLACE
MAKING**



**\$2MM INVESTED IN FY18
EQUAL AMOUNT OF CASH MATCH
+ IN KIND CONTRIBUTION**

A photograph of the Hartford State Capitol building, a large, ornate structure with a prominent golden dome and multiple spires. The building is set against a clear sky, and a green lawn is visible in the foreground. The text 'HARTFORD CT' is overlaid in large, white, sans-serif font across the upper portion of the image.

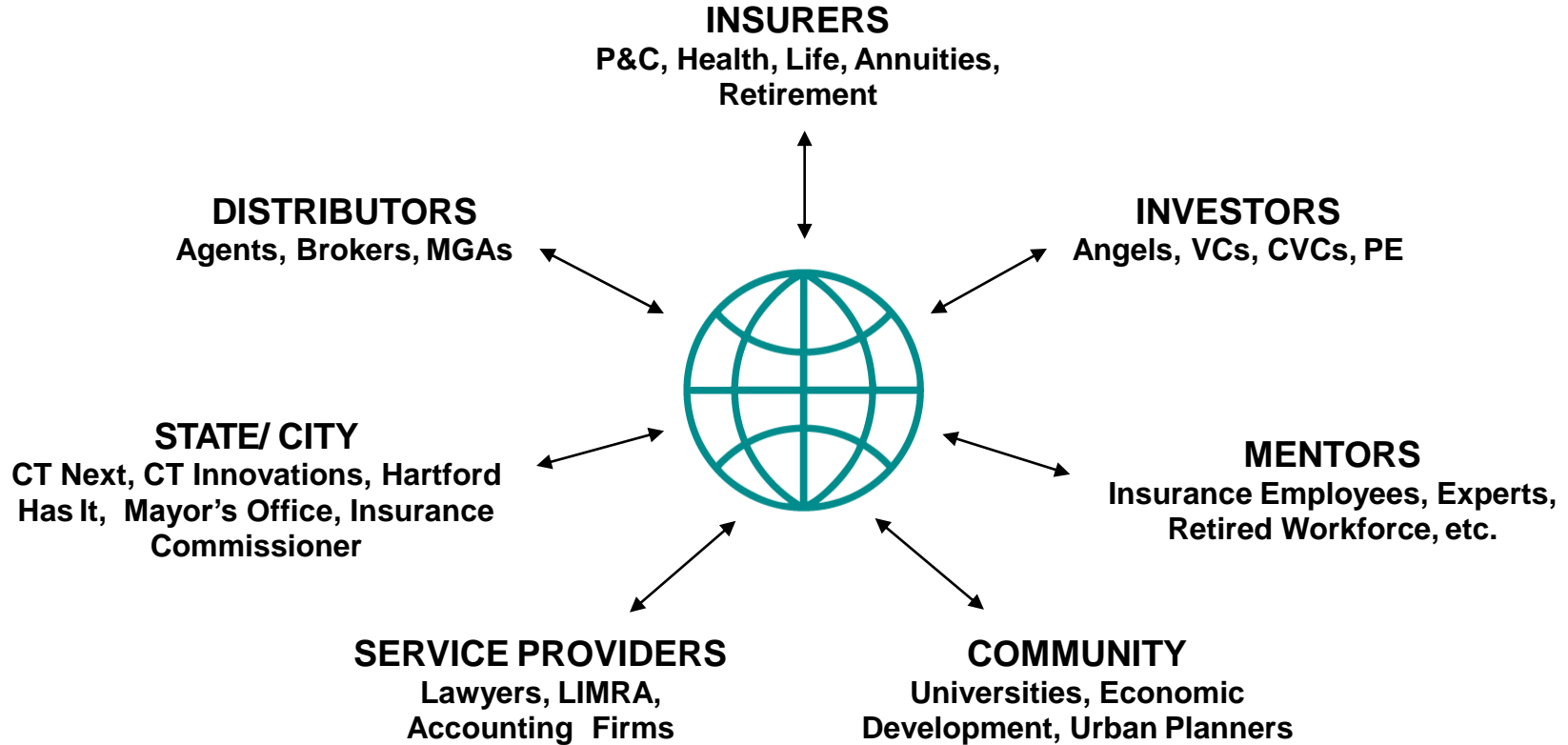
HARTFORD CT

Capital of InsurTech

GOALS & OBJECTIVES

- Globally recognized center of InsurTech Activity
- Attract new technology startups to Hartford that want to stay
- Create a strong pipeline of talent for the businesses from universities
- Increase innovation activities and ready- pilots with local insurers

Hartford's INSURTECH ECOSYSTEM



HARTFORD

Increased local companies'
valuation

Create jobs to increase tax
revenues

HARTFORD
INSURTECH HUB

ACHIEVEMENT TO DATE

- Launched Hartford InsurTech Hub June 2017
- Technology-led accelerator
- Innovation pilots with the local insurance community
- Startups wanting to stay in Hartford to work with local companies
- Building talent community via internships and university programs

NEXT STEPS

- Deliver two new programs in Hartford targeted to current and additional insurers
- Bring more startups to Hartford
- Engagement with universities

Startupbootcamp
InsurTech

HARTFORD INSURTECH PARTNERS





**10 startups selected
out of 4,000+**

**Dynamic Underwriting, Customer
Acquisition & Retention, Claims
Digitization, Robotics, Cyber-
security, Artificial intelligence,
Blockchain**

HARTFORD
INSURTECH HUB

RESULTS

- # 4,300 startups reviewed
 - # 1,000 global applications from 92 countries
 - # 300 applications for Hartford
 - # 23 startups invited for selection
 - # 10 startups attending the program
-

- # 40+ educational events over a 14 week period
- # 300 hours of mentor interactions
- # 60+ project discussions – 50% with insurance companies
- # 21 pilots confirmed – 7 in Hartford
- \$ 20 million capital being raised
- 4 startups staying in Hartford

Startupbootcamp
InsurTech

STARTUPS ACCELERATED IN HARTFORD SO FAR...



Delivers customer intelligence and redefines lifetime value at the point of decision in simple English Insurance: All lines



Leverages a robo-coach to enable insurers to attract, retain and reward healthy customers Insurance: Health/Life



Provides smart home IoT solution that supports critical security needed within every smart home Insurance: Property



App & web-based platform that enables policyholders to perform their own property inspection Insurance: Property



Big data analytics company that utilize AI to predict renewal risk and augment customer conversations Insurance: All lines



Deliver intelligent conversational intelligence to automate servicing processes Insurance: All lines



Records the true journey of a product across the supply chain to ensure authenticity & visibility of interactions Insurance: Business



Delivers a digital platform that provides tailored benefits for self-employed individuals Insurance: Health/ Life



Helps residential multi-tenant buildings to prevent water leakages, automate security and usage. Insurance: Property



Provides cyber-security risk monitoring and threat remediation solution that blocks malicious behavior Insurance: Business

TODAY

- COMMITTED PARTNERS & MENTORS
- ATTRACT INTERESTING TECHNOLOGY STARTUPS
- ESTABLISHED INSURTECH INTERNSHIP PROGRAMS
- INCREASE INNOVATION ACTIVITIES BETWEEN MARKET PARTICIPANTS
- CREATED GREAT INCENTIVES FOR ENTREPRENEURS TO STAY

TOMORROW

- HARTFORD AS A RECOGNIZED CENTER FOR INSURANCE
- BRING NEW COHORTS ACROSS A MULTITUDE OF SECTORS
- WIDEN CORPORATE INVOLVEMENT
- SUPPORT FURTHER DEVELOPMENT WITHIN THE CURRENT ECOSYSTEM
- ATTRACT NEW SOURCES OF CAPITAL
- INCREASE THE VOLUME OF PILOTS



ANY QUESTIONS?